

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**SB 85 - HB 63**

March 15, 2013

**SUMMARY OF BILL:** Authorizes counties, upon a two-thirds majority vote by the county legislative body or by referendum, to adopt the “County Financial Management System of 2013.” Upon adoption of the system, the county shall establish a central finance department; employ a qualified director of the department; and provide adequate office space and funds for equipment and supplies necessary for the operation of the finance department. Authorizes the creation of several special committees within the county; compensation of committee members is to be determined by the county legislative body. Upon adoption of this management system, it shall supersede all other general law and provisions of any private act in conflict with this act in any such adopting county.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Expenditures –**

**Exceeds \$8,124,200/FY14-15/Permissive**

**Exceeds \$5,761,223/FY15-16 and Subsequent Years/Permissive**

**Assumptions:**

- There is no deadline for adopting this management system; however it is assumed that any increase in local government expenditures will begin in FY14-15.
- This bill is permissive to all local governments. This act shall not apply to any special school districts established through actions of the General Assembly or Davidson, Hamilton, Knox, and Shelby Counties.
- According to the Comptroller of the Treasury (COT) and County Technical Assistance Service (CTAS), of the remaining 91 counties, 65 counties do not have a central finance office for the entire county, and 42 of these 65 counties do not have any form of centralized accounting and finance implemented.
- In the event this act is adopted by a county, all costs associated with the creation of the centralized finance department, including office space, supplies, and equipment, will be allocated from the county general fund, county highway fund, and the county general purpose school fund.
- This act may be adopted by local governments by one of the following methods: a two-thirds majority vote by the county legislative body in favor of adoption, the county legislative body may request a referendum of qualified voters, or in the event the county

legislative body takes no action regarding this act a referendum may be requested through a petition signed by 10 percent of the qualified voters of the county.

- Any vote required by the county legislative body for implementation of this act can be accomplished at a regularly-scheduled meeting.
- If a referendum was held in conjunction with a regularly-scheduled election there would be no additional expenditures to hold such referendum; however, if a referendum is not held in conjunction with the regularly-scheduled election it would result in an increase to local government expenditures. Referendum costs vary based upon the population of the local government holding the referendum.
- Due to multiple unknown factors, including but not limited to, which counties would pass this act by referendum, if any adopted referendum would be held in conjunction with a regularly-scheduled election, and the size of the county conducting the referendum; a precise impact to local government for such referenda cannot be determined. However, it is reasonably estimated that any one-time increase in local government expenditures as a result of referenda held exclusive of regularly-scheduled elections would exceed \$10,000 statewide.
- According to COT, the applicable 91 counties will have one-time increases in expenditures for the purchase of computer equipment and software, estimated to be \$22,000 for each county, or \$2,002,000 (91 counties x \$22,000 each) statewide.
- Of the 91 counties, 65 do not currently have a centralized finance office. It is estimated these counties will incur one-time costs for furniture and office space renovation at \$15,000 for each county; or \$975,000 (65 counties x \$15,000) statewide.
- According to COT, currently in non-centralized counties, automated accounting records are being maintained in the highway department, school department, and general government, requiring each of these departments to purchase a software license. Centralization will reduce the number of software licenses required.
- COT estimates a one-time decrease in expenditures for a reduction in software licensing of \$9,600 per county, resulting in a total one-time decrease in local government expenditures of \$624,000 (\$9,600 x 65 counties centralizing).
- The total one-time permissive increase in local government expenditures is estimated to exceed \$2,363,000 (\$2,002,000 computer software + \$975,000 office space + \$10,000 referendum costs - \$624,000 software license savings).
- Each county implementing this management act will be required to employ a director for the finance department, to be appointed by the county mayor, and approved by the county legislative body. Any person serving as a director of finance pursuant to the County Financial Management System of 1981, as director of accounts and budgets pursuant to the County Fiscal Procedure Law of 1957, or any similar private act shall be eligible for appointment as finance director.
- According to COT and CTAS, for the 42 counties who do not have a form of centralized accounting or finance system currently in place, there will be recurring increases in local government expenditures for salary and benefits for a finance director.
- The compensation of the finance director shall be no less than the salary paid to the county trustee. Pursuant to Tenn. Code Ann. § 8-24-102, a county trustee is classified as a “general officer” and the base salary is determined by the population of the county.
- The required hiring of a finance director will result in a recurring increase in local government expenditures of \$3,136,223 [(11 counties x \$53,239 base salary) + (17

counties x \$58,739 base salary) + (7 counties x \$62,739 base salary) + (3 counties x \$64,977 base salary) + (1 county x \$70,572 base salary) + (3 counties x \$73,370 base salary)] x 1.25 factor for benefits}.

- The finance director is required to complete at least 24 hours of continuing education in the field of government accounting and finance each year.
- Local governments will be responsible for appropriating sufficient funds to pay for the required continuing education of the finance director as well as any professional certifications and dues to any applicable professional organizations joined.
- CTAS currently offers courses which would qualify for this requirement and more classes could be offered based on any new demand as a result of this requirement of this bill.
- According to CTAS, the addition of classes for this continued education requirement could be absorbed within existing resources.
- Based on information provided by CTAS, these classes will come at no cost to participants.
- For the maintenance of professional certifications and dues to any applicable professional organizations, it is estimated to result in a recurring increase in local government expenditures exceeding \$5,000 statewide per year.
- County employees currently performing the functions of accounting, budgeting, purchasing, debt management, grant management, payroll, and case management for the various agencies of the county shall be relocated to the newly created central finance department, with the exception of employees from the offices of court clerks, the county clerk, trustee, register of deeds, and the sheriff.
- The fiscal impact to local government for the relocation of current employees is estimated to be not significant.
- In the event further employees must be hired to staff the central finance department, a recurring increase to local government expenditures for salary and benefits would occur.
- While the need for hiring new staff will vary from county to county it is reasonable to estimate the total recurring increase to local government expenditures for hiring of new staff will be \$2,520,000 (\$60,000 salary and benefits per employee x 42 counties).
- Local governments will be required to create a finance committee consisting of seven members. Each local government finance committee will have the option of creating up to four special committees, each with five members. The compensation of all members of the special committees will be determined by the local legislative body.
- Due to multiple unknown factors such as the total number of committees created, compensation per member per meeting, and meeting frequency, a precise impact to local government cannot be determined. However the recurring increase in local government expenditures is reasonably estimated to exceed \$100,000 statewide.
- The total recurring permissive increase to local government expenditures is estimated to exceed \$5,761,223 (\$3,136,223 salary for finance director + \$5,000 for dues to professional organizations + \$2,520,000 salary for newly hired staff + \$100,000 for compensation of all committee members).
- The total permissive increase in local government expenditures for FY14-15 is estimated to exceed \$8,124,223 (\$5,761,223 recurring + \$2,363,000 one-time); the recurring increase in local expenditures beginning in FY15-16 will be \$5,761,223.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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